

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>DICKINSON COUNTY ROAD COMMISSIO</b>	County <b>DICKINSON</b>
Fiscal Year End <b>12/31/2007</b>	Opinion Date <b>4/3/2008</b>	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES**   **NO**   **Check each applicable box below.** (See instructions for further detail.)

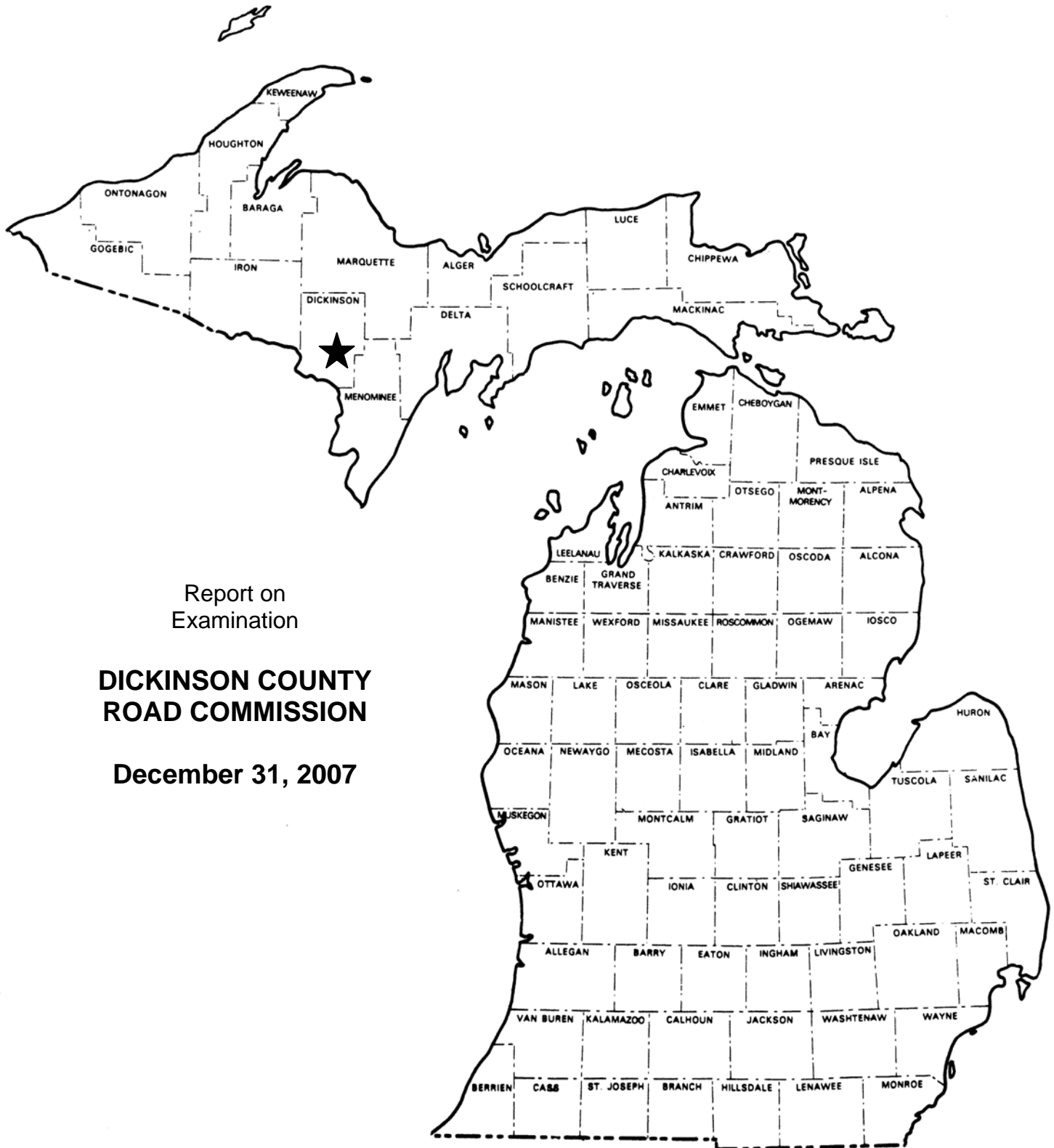
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>STATE OF MICHIGAN</b>		Telephone Number <b>517-373-3227</b>		
Street Address <b>430 WEST ALLEGAN STREET</b>		City <b>LANSING</b>	State <b>MI</b>	Zip <b>48922</b>
Authorizing CPA Signature		Printed Name <b>CARY JAY VAUGHN</b>		License Number <b>1101024355</b>

**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**DICKINSON COUNTY  
ROAD COMMISSION**

**December 31, 2007**

**DICKINSON COUNTY ROAD COMMISSION**  
**BOARD OF COUNTY ROAD COMMISSIONERS**

Ron Milbrath  
Chairperson

Charles Erickson  
Vice Chairperson

James Harris  
Member

Tim Hammill  
Managing Director

Sandra Lindholm  
Director of Finance

Dave Pajula  
Engineer

COUNTY POPULATION--2000  
27,472

STATE EQUALIZED VALUATION--2007  
\$1,001,448,796



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

April 3, 2008

Dickinson County Road Commission  
Board of County Road Commissioners  
1107 South Milwaukee Avenue  
P.O. Box 519  
Iron Mountain, Michigan 49801

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dickinson County Road Commission as of December 31, 2007 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2008 on our consideration of the Dickinson County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the budget comparison information in Exhibits G and H are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dickinson County Road Commission's basic financial statements. The accompanying supplementary and related information in Exhibits I through K are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# **DICKINSON COUNTY ROAD COMMISSION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Dickinson County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended December 31, 2007. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

### ***Overview of the Financial Statements***

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. The two government-wide statements report the Road Commission's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

### **Reporting the Road Commission as a Whole**

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases and decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

**DICKINSON COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Report of the Road Commission's Major Fund***

The fund financial statements begin on page 11 and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental type fund.

- **Governmental Fund**--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

***The Road Commission as a Whole***

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets-net or related debt) are considered restricted.

Net assets as of the year ended December 31, 2007, as follows:

	12/31/06 Governmental Activities	12/31/07 Governmental Activities	Variance
Current and Other Assets	\$ 860,255	\$ 879,549	\$ 19,294
Net Capital Assets	<u>29,996,746</u>	<u>30,355,563</u>	<u>358,817</u>
Total Assets	<u>30,857,001</u>	<u>31,235,112</u>	<u>378,111</u>
Other Liabilities	356,057	156,922	(199,135)
Long-Term Liabilities	<u>755,620</u>	<u>673,865</u>	<u>(81,755)</u>
Total Liabilities	<u>1,111,677</u>	<u>830,787</u>	<u>(280,890)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	29,708,572	30,125,801	417,229
Restricted	<u>36,752</u>	<u>278,524</u>	<u>241,772</u>
Total Net Assets	<u><u>\$ 29,745,324</u></u>	<u><u>\$ 30,404,325</u></u>	<u><u>\$ 659,001</u></u>

**DICKINSON COUNTY ROAD COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The net assets increased by \$659,001 from the prior year. The invested in capital assets-net of related debt increased by \$417,229 and the restricted net assets increased by \$241,772.

A summary of changes in net assets for the year ended December 31, 2007, as follows:

	2006	2007	Difference	Percent
Program Revenue				
Federal Grants	\$ 485,888	\$ 700,675	\$ 214,787	44.21%
State Grants	3,006,612	3,205,611	198,999	6.62%
Contributions From Local Units	300,491	219,899	(80,592)	-26.82%
Charges for Services	614,390	764,824	150,434	24.49%
Investment Earnings	7,166	2,846	(4,320)	-60.28%
General Revenue				
Gain on Equipment Disposal		37,270	37,270	100.00%
Total Revenue	<u>4,414,547</u>	<u>4,931,125</u>	<u>516,578</u>	<u>10.48%</u>
Expenses				
Primary Road				
Routine and Preventive Maintenance	634,592	689,749	55,157	8.69%
Local Road				
Routine and Preventive Maintenance	876,688	1,211,085	334,397	38.14%
State Trunkline Maintenance	510,561	683,033	172,472	33.78%
Net Equipment Expense	(58,037)	(50,347)	7,690	-13.25%
Net Administrative Expense	282,312	264,868	(17,444)	-6.18%
Maintenance for Other Units	73,672	16,375	(57,297)	-77.77%
Infrastructure Depreciation	1,432,616	1,453,582	20,966	1.46%
Compensated Absences	8,973	7,620	(1,353)	-15.08%
Interest Expense	22,909	18,272	(4,637)	-20.24%
Total Expenses	<u>3,784,286</u>	<u>4,294,237</u>	<u>509,951</u>	<u>13.48%</u>
Excess Revenues Before Transfers				
County Appropriations	<u>-</u>	<u>22,113</u>	<u>22,113</u>	<u>100.00%</u>
Change in Net Assets	<u>\$ 630,261</u>	<u>\$ 659,001</u>	<u>\$ 28,740</u>	<u>4.56%</u>
Ending Net Assets	<u>\$ 29,745,324</u>	<u>\$ 30,404,325</u>	<u>\$ 659,001</u>	<u>2.22%</u>



**DICKINSON COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*The Road Commission's Fund*

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies, distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2007, the fund balance of the General Operations Fund increased \$249,392 as compared to a decrease of \$128,350 in the fund balance for the year ended December 31, 2006. Total operating revenues were \$4,931,125, an increase of \$516,578 as compared to last year. This change in revenues resulted from a combination of items such as an increase in township contributions of \$29,725, additional revenue generated from partnering with the Conservation District of \$19,526, and also an increase in the State Maintenance budget of \$151,200. Total expenditures were \$4,873,875, an increase of \$305,467 as compared to last year. This change in expenditures is due primarily to the increase in local road maintenance of \$334,397 due to the decrease in work done in 2006, and the overall cost of doing business as gas prices remain so volatile.

A summary of changes in the Operating Fund, as follows:

	12/31/06 Operating Fund	12/31/07 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Federal Aid	\$ 485,888	\$ 700,675	\$ 214,787	44.21%
State Aid	3,006,612	3,205,611	198,999	6.62%
Contributions From Local Units	300,491	219,899	(80,592)	-26.82%
Charges for Services	578,382	696,984	118,602	20.51%
Interest and Rents	7,166	2,846	(4,320)	-60.28%
Other Revenue	36,008	105,110	69,102	191.91%
Total Revenues	4,414,547	4,931,125	516,578	11.70%
Expenditures				
Public Works	4,112,793	4,432,391	319,598	7.77%
Capital Outlay	60,497	194,771	134,274	221.95%
Debt Service	395,118	246,713	(148,405)	-37.56%
Total Expenditures	4,568,408	4,873,875	305,467	6.69%
Excess of Revenues Over (Under)				
Expenditures	(153,861)	57,250	211,111	-137.21%
Other Financing Sources				
County Appropriations	-	22,113	22,113	
Proceeds From Lease Purchase	25,511	170,029	144,518	566.49%
Total Other Financing Sources	25,511	192,142	166,631	653.17%
Excess of Revenues and Other				
Financing Sources Over Expenditures	(128,350)	249,392	377,742	-294.31%
Fund Balance--Beginning of Year	502,103	373,753	(128,350)	-25.56%
Fund Balance--End of Year	\$ 373,753	\$ 623,145	\$ 249,392	66.73%

**DICKINSON COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Budgetary Highlights***

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The original revenue budget for 2007 was \$6,483,005, which was \$1,359,750 less than the final amended budget revenue received for the year. This was due, in large part, to many of the Federal aid projects budgeted being moved into the 2008 calendar year.

The Road Commission's original expenditures were projected at \$6,479,793, which was \$1,599,992 less than the final amended budget expenditures. This also was primarily due to the Road Commission having Federal aid projects being removed from the 2007 budget and into the 2008 calendar year.

***Capital Assets***

As of December 31, 2007, the Road Commission had \$30,355,563 invested in net capital assets, as follows:

	<u>12/31/06</u>	<u>12/31/07</u>	<u>Total Percentage Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 205,915	\$ 205,915	0.00%
Infrastructure--Land and Improvements	<u>12,494,160</u>	<u>12,954,086</u>	<u>3.68%</u>
Subtotal	<u>12,700,075</u>	<u>13,160,001</u>	<u>3.62%</u>
Capital Assets Being Depreciated			
Buildings	1,499,423	1,499,423	0.00%
Road Equipment	5,425,484	5,466,475	0.76%
Shop Equipment	186,302	187,058	0.41%
Office Equipment	74,035	80,784	9.12%
Engineer's Equipment	55,092	55,503	0.75%
Infrastructure--Bridges	3,083,681	3,111,715	0.91%
Infrastructure--Roads	<u>26,857,538</u>	<u>28,273,252</u>	<u>5.01%</u>
Subtotal	<u>37,181,555</u>	<u>38,674,210</u>	<u>4.01%</u>
Total Capital Assets	49,881,630	51,834,211	3.91%
Total Accumulated Depreciation	<u>(19,884,884)</u>	<u>(21,478,648)</u>	<u>8.01%</u>
Total Net Capital Assets	<u><u>\$ 29,996,746</u></u>	<u><u>\$ 30,355,563</u></u>	<u><u>1.20%</u></u>

**DICKINSON COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Road Commission reported additions to the infrastructure and related assets during the current year in the amount of \$2,098,445 as follows:

Construction and Reconstruction of Bridges	\$ 28,035
Various Resurfacing Projects and Related Land/Right-of-Way	1,875,639
Road Equipment	179,991
Shop Equipment	756
Office Equipment	8,113
Engineers' Equipment	<u>5,911</u>
Total Additions	<u><u>\$ 2,098,445</u></u>

***Debt***

The Road Commission currently has long-term debt in the amount of \$574,383, a net decrease of \$50,792 from the prior year. The long-term debt represents six lease-purchase agreements and compensated absences payable at December 31, 2007. During 2007, the Road Commission paid off 6 installment purchase agreements and entered into one new installment purchase agreement.

More detailed information about the Road Commission's long-term liabilities for vested employee benefits is presented in Note G to the financial statements.

***Economic Factors and Next Year's Budget***

The board of county road commissioners considered many factor when setting the fiscal year 2008 budget. One of these factors continues to be the economy and the increasing gas prices. Approximately 55% of its revenue was collected from the fuel tax in 2007. The downturn in less fuel consumption adversely affects the amount of MTF tax to be distributed. The Road Commission received approximately 4.70% of its revenues from township contributions during 2007, 21% from State and Federal aid, and 14% from State Trunkline.

During 2008, we expect to see an increase in Federal aid projects due to the Jobs Today Program and several projects being moved from 2007. The cash match to these projects will be paid by the State due to the Jobs Today Match program. The budgeted revenue in 2008 is \$7,161,275 and projected 2008 expenditures are \$6,912,373.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Dickinson County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably considering the best interest of the citizens of Dickinson County.

***Contacting the Road Commission's Financial Management***

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Dickinson County Road Commission's administrative office at: P.O. Box 519, Iron Mountain, MI, 49801.

**DICKINSON COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2007**

**EXHIBIT A**

**ASSETS**

Cash	\$ 16,350
Accounts Receivable	
State--Trunkline Maintenance	95,382
Michigan Transportation Fund	432,254
State--Other	402
Due From Other Governments	10,000
Due on County Road Agreements	2,329
Inventories	
Road Materials	219,454
Equipment Parts and Materials	103,378
Capital Assets (Net of Accumulated Depreciation)	<u>30,355,563</u>
Total Assets	<u>31,235,112</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	116,986
Accrued Liabilities	39,936
Noncurrent Liabilities	
Advance From State	99,482
Installment Purchase Agreements Payable--Due in One Year	101,267
Installment Purchase Agreements Payable--Due in More Than One Year	128,495
Vested Employee Benefits Payable	<u>344,621</u>
Total Liabilities	<u>830,787</u>

**NET ASSETS**

Investment in Capital Assets	
Net of Related Debt	30,125,801
Restricted	<u>278,524</u>
Total Net Assets	<u><u>\$ 30,404,325</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2007**

**EXHIBIT B**

Program Expenses	
Primary Road--Routine and Preventive Maintenance	\$ 689,749
Local Road--Routine and Preventive Maintenance	1,211,085
State Trunkline Maintenance	683,033
Net Equipment Expense	(50,347)
Net Administrative Expense	264,868
Maintenance for Other Units	16,375
Infrastructure Depreciation	1,453,582
Compensated Absences	7,620
Interest Expense	18,272
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Total Program Expenses	4,294,237
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Program Revenue	
Charges for Services	764,824
Operating Grants and Contributions	
Michigan Transportation Funds	2,817,887
Investment Earnings	2,846
Capital Grants and Contributions	
Federal Grants	700,675
State Grants	387,724
Contributions	219,899
	<hr/>
Total Program Revenue	4,893,855
	<hr/>
Net Program Revenue	599,618
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General Revenue	
Gain on Equipment Disposal	37,270
Transfers In--Primary Government	22,113
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Total General Revenues and Transfers In	59,383
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Change in Net Assets	659,001
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Net Assets	
Beginning of Year	29,745,324
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End of Year	\$ 30,404,325
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**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION**  
**BALANCE SHEET**  
**December 31, 2007**

**EXHIBIT C**

	<b><u>GOVERNMENTAL FUND TYPE</u></b>
	<u>General Operating Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 16,350
Due From State	528,038
Due From Townships	2,329
Due From Other Governments	10,000
Inventories	
Road Materials	219,454
Equipment Parts and Materials	<u>103,378</u>
Total Assets	<u><u>\$ 879,549</u></u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities	
Accounts Payable	\$ 116,986
Accrued Liabilities	39,936
Advances From State	
Capital Equipment	47,435
Trunkline Maintenance	<u>52,047</u>
Total Liabilities	<u>256,404</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	322,832
Unreserved and Undesignated	<u>300,313</u>
Total Fund Equities	<u>623,145</u>
Total Liabilities and Fund Equities	<u><u>\$ 879,549</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND  
BALANCE TO THE STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2007**

**EXHIBIT D**

Total Governmental Fund Balance	\$ 623,145
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Amounts reported for governmental activities in the Statement of Net Assets are  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,355,563
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Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(574,383)</u>
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Net Assets of Governmental Activities	<u><u>\$30,404,325</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2007**

**EXHIBIT E**

	<u>Operating Fund</u>
Revenues	
Federal Aid	\$ 700,675
State Aid	3,205,611
Contributions From Local Units	219,899
Charges for Services	696,984
Interest and Rents	2,846
Other Revenue	<u>105,110</u>
Total Revenues	<u>4,931,125</u>
Expenditures	
Public Works	4,432,391
Capital Outlay	194,771
Debt Service	<u>246,713</u>
Total Expenditures	<u>4,873,875</u>
Excess of Revenues Over (Under) Expenditures	<u>57,250</u>
Other Financing Sources	
Proceeds From Lease Purchase	170,029
County Appropriation	<u>22,113</u>
Total Other Financing Sources	<u>192,142</u>
Excess of Revenues and Other Financing Sources Over Expenditures	249,392
Fund Balance--January 1, 2007	<u>373,753</u>
Fund Balance--December 31, 2007	<u><u>\$ 623,145</u></u>

**The Notes to Financial Statements are an integral part of this statement.**



**DICKINSON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007**

**EXHIBIT F**

Net Change in Fund Balance--Total Governmental Funds	\$ 249,392
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	358,817
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Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.	58,412
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences)	<u>(7,620)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 659,001</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

## DICKINSON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--REPORTING ENTITY

The Dickinson County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by a 3-member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the approval of the county board of commissioners; and property taxes would be levied under the taxing authority of the county, as approved by the county electors. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Dickinson County Road Commission, a discretely presented component unit of Dickinson County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

#### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Dickinson County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

When both restricted and restricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

#### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan Transportation Funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

#### Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Inventories and Prepaid Items

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Dickinson County Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of five years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Dickinson County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission has also retroactively capitalized the major infrastructure assets, as permitted by GASB Statement No. 34, which is included in the beginning balance of the net assets and capital asset.

#### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Due from Primary Government

At December 31, 2007, the primary government (Dickinson County) owed the Road Commission \$10,000 for services provided to the Conservation District. The amount was received on February 27, 2008.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

### NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the county road fund. Pursuant to the act, the Road Commission's chief fiscal officer (director of finance) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. The board has authorized the chief fiscal officer to amend the Road Commission's budget when necessary, without increasing the overall budget, by transferring funds between expenditure cost centers. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--BALANCE SHEET CASH AND INVESTMENTS

MCL 129.91 authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated two banks for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 16,150
Petty Cash and Cash on Hand	<u>200</u>
Total	<u>\$ 16,350</u>

The bank balance of the primary government's deposits is \$41,057, of which \$41,057 is covered by Federal depository insurance.

There were no investments during 2007.

### NOTE E--DEFERRED COMPENSATION PLAN

Some employees of the Dickinson County Road Commission are participants in a deferred compensation plan offered by the Dickinson County Board of Commissioners. The plan, created in accordance with the Internal Revenue Code, Section 457, is available to all Dickinson County employees and elected officials and permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered by the National Association of Counties (NACo) through the Public Employees' Benefit Services Corporation (PEBSCO). NACo, as plan administrator, agrees to hold harmless and indemnify the county, its appointed and elected officers and participating employees from any loss resulting from NACo or its agent's failure to perform its duties and services pursuant to the NACo Program.

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--DEFERRED COMPENSATION PLAN (Continued)

Effective January 1, 1997, the assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters.

### NOTE F--CAPITAL ASSETS

Following is a summary of the changes in capital assets:

	Account Balances 01/01/07	Additions	Deductions	Account Balances 12/31/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 205,915			\$ 205,915
Infrastructure Land Improvements	12,494,160	\$ 459,926		12,954,086
Subtotal	12,700,075	459,926	\$ -	13,160,001
Capital Assets Being Depreciated				
Buildings	1,499,423			1,499,423
Road Equipment	5,425,484	179,991	139,000	5,466,475
Shop Equipment	186,302	756		187,058
Office Equipment	74,035	8,113	1,364	80,784
Engineers' Equipment	55,092	5,911	5,500	55,503
Infrastructure--Bridges	3,083,680	28,035		3,111,715
Infrastructure--Roads	26,857,539	1,415,713		28,273,252
Total	37,181,555	1,638,519	145,864	38,674,210
Less Accumulated Depreciation				
Buildings	553,182	31,614		584,796
Road Equipment	4,997,343	213,355	110,685	5,100,013
Shop Equipment	119,475	13,476		132,951
Office Equipment	68,820	2,981	1,364	70,437
Engineers' Equipment	53,119	2,006	5,500	49,625
Infrastructure--Bridges	943,895	69,791		1,013,686
Infrastructure--Roads	13,149,050	1,378,090		14,527,140
Total	19,884,884	1,711,313	117,549	21,478,648
Net Capital Assets Being Depreciated	17,296,671	1,638,519	1,739,628	17,195,562
Total Net Capital Assets	\$29,996,746	\$2,098,445	\$1,739,628	\$30,355,563

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct Equipment	\$ 213,356
Indirect Equipment	45,089
Net Administrative Expense	
Office Equipment	4,987
Infrastructure Depreciation	<u>1,447,881</u>
Total Depreciation Expense	<u><u>\$ 1,711,313</u></u>

### NOTE G--LONG-TERM DEBT

The changes in long-term debt of the Road Commission may be summarized as follows:

	Balance 01/01/07	Additions (Reductions)	Balance 12/31/07	Due in One Year
Equipment Lease--Purchase Agreements				
Caterpillar Financial Services				
September 2002--Lease	\$ 10,359	\$ (10,359)	-	-
September 2002--Lease	29,481	(29,481)	-	-
September 2002--Lease	34,048	(34,048)	-	-
November 2003--Lease	82,336	(44,162)	\$ 38,174	\$ 38,174
Deere Credit Services				
May 2002 Lease	10,327	(10,327)	-	-
Daimler Chrysler Services North America LLC				
May 2003--Lease	40,197	(29,945)	10,252	10,252
June 2003--Lease	48,981	(34,285)	14,696	14,696
First National Bank of Norway				
February 2001--Lease	1,434	(1,434)	-	-
February 2001--Lease	912	(912)	-	-
Canon Financial				
February 2005--Lease	6,152	(1,173)	4,979	1,346
GMAC				
September 2006--Lease	23,947	(4,418)	19,529	4,780
Navistar Financial		170,029		
January 2007--Lease	-	(27,897)	142,132	32,019
Vested Employee Benefits				
Vacation Benefits	86,297	(1,146)	85,151	
Sick Leave Benefits	250,704	8,766	259,470	
Totals	<u><u>\$625,175</u></u>	<u><u>\$ (50,792)</u></u>	<u><u>\$574,383</u></u>	<u><u>\$101,267</u></u>



# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

#### Equipment Lease-Purchase and Loan Agreements

The annual requirements to meet the monthly installment payments on various pieces of equipment acquired by lease-purchase or loan agreements are as follows:

November 2003 Lease-Purchase--Caterpillar 972G Wheel Loader

Terms: 60 monthly installments of \$3,888 at 3.86% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
11/03	\$ 211,800	2008	\$ 38,174	\$ 704	\$38,878
			<u>\$ 38,174</u>	<u>\$ 704</u>	<u>\$38,878</u>

#### Daimler Chrysler Services

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,584 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/03	\$140,723	2008	\$ 10,252	\$ 153	\$10,405
			<u>\$ 10,252</u>	<u>\$ 153</u>	<u>\$10,405</u>

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

#### May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
06/03	\$161,658	2008	\$14,696	\$ 148	\$ 14,844
			<u>\$14,696</u>	<u>\$ 148</u>	<u>\$ 14,844</u>

#### Canon Financial

#### February 2005 Lease-Purchase--Copy Machine

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/05	#####	2008	\$ 1,346	\$ 601	\$1,947
		2009	1,543	404	1,947
		2010	2,090	24	2,114
			<u>\$ 4,979</u>	<u>\$ 1,029</u>	<u>\$6,008</u>

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

#### GMAC

September 2006 Lease-Purchase--2007 Silverado

Terms: 60 monthly installments of \$512.66 at 7.90% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/06	\$ 25,510	2008	\$ 4,780	\$ 1,372	\$ 6,152
		2009	5,171	981	6,152
		2010	5,595	557	6,152
		2011	3,983	119	4,102
			<u>\$ 19,529</u>	<u>\$ 3,029</u>	<u>\$22,558</u>

#### Navistar Financial

January 2007 Lease-Purchase--2007 International 5600 Truck

Terms: 60 monthly installments of \$3,232.86 at 5.31% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
01/07	\$170,029	2008	\$ 32,019	\$ 6,775	\$ 38,794
		2009	33,761	5,033	38,794
		2010	35,598	3,196	38,794
		2011	37,535	1,259	38,794
		2012	3,219	14	3,233
			<u>\$142,132</u>	<u>\$16,277</u>	<u>\$ 158,409</u>

## DICKINSON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE G--LONG-TERM DEBT (Continued)

##### Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

##### Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary Termination--Salaried employees will be paid 50% of their accumulated sick leave, and hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or Death--For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employee's beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

#### NOTE H--EMPLOYEES' RETIREMENT SYSTEM

##### Plan Description

##### Description of Plan and Plan Assets

The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended, (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Street, Lansing, Michigan 48917.

#### Funding Policy

Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2006 was 14.85% and 0% of covered payroll for the General-Other and General-Road Commission Groups.

#### Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$197,895 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employee contribution of \$93 was also paid by one employee, in accordance with the contribution requirements. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 170,605	100%	\$0
2005	180,520	100%	\$0
2006	197,895	100%	\$0

# DICKINSON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

#### Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/04	\$ 5,320,699	\$ 6,955,360	\$ 1,634,661	76%	\$1,341,558	122%
12/31/05	5,457,432	7,194,893	1,737,461	76%	1,290,809	135%
12/31/06	5,700,600	7,345,588	1,644,988	78%	1,359,567	121%

### NOTE I--POST-EMPLOYMENT BENEFITS

#### Health Care Insurance Benefits

In addition to the pension benefits described in Note H, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse to age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2007, 9 retirees were eligible for this benefit at a total cost of approximately \$89,310.

#### Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2007, 5 retirees were eligible for this benefit at a total cost of approximately \$240.

## DICKINSON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

#### NOTE K--GUST K. NEWBERG CHARITABLE TRUSTS

The Dickinson County Road Commission has been named as a 15% beneficiary in the \$5,000,000 "Gust K. Newberg Charitable Trust." The trust agreement provides for named trustees to hold, invest and reinvest the corpus of the trust and collect and receive the income, thereof, and distribute the net income, thereof, to the beneficiaries at least annually.

In 2007, the Road Commission received four quarterly distributions of trust income for the period September 1, 2006 to October 31, 2007. The Road Commission's policy is to record revenues from the trust on the cash basis, which was \$43,524 during 2007.

In addition to the above trust provisions, Mr. Newberg also provided that upon the death of his wife, Penny M. Newberg, there should be paid out of the trust, created for Mrs. Newberg, a sum of \$500,000 to the Dickinson County Road Commission.

## DICKINSON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2007, the Federal aid received and expended by the Road Commission was \$826,239 for contracted projects and \$139,107 for one negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission. Since the negotiated expenditures were under \$500,000, a single audit was not required.



**DICKINSON COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL  
For the Year Ended December 31, 2007**

**EXHIBIT G**

	Original Amended Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Federal Aid				
Surface Transportation Program	\$ 547,477	\$ 539,437	\$ 539,439	\$ 2
Highway Bridge Replacement	755,250	-	-	-
Economic Development D Funds	207,049	161,234	161,236	2
High Priority	204,000	-	-	-
Safety	404,353	-	-	-
Enhancement	299,200	-	-	-
Category F Funds	234,400	-	-	-
State Aid				
Michigan Transportation				
Engineering	10,000	10,000	10,000	-
Primary Road	2,029,618	1,902,235	1,902,234	(1)
Local Road	725,676	706,237	706,236	(1)
Primary Urban Road	105,004	126,993	126,992	(1)
Local Urban Road	54,432	58,572	58,572	-
Snow Removal	13,200	13,853	13,853	-
Economic Development				
Target Industry (A)	-	30,240	30,240	-
Rural Primary (D)	57,944	84,681	84,682	1
Forest Funds (E)	122,902	122,900	122,899	(1)
Jobs Today Program	-	149,901	149,903	2
Contributions--Local Units				
Townships	7,700	240,669	240,672	3
Cities and Villages	-	(20,773)	(20,773)	-
Charges for Services				
State Trunkline Maintenance	628,300	649,691	649,692	1
State Trunkline Non-Maintenance	20,000	42,877	42,877	-
Salvage Sales	1,500	4,414	4,415	1
Interest and Rents				
Interest Earned	4,000	2,845	2,846	1
Other Revenue				
Contribution From Private Sources	32,000	67,838	67,840	2
Gain on Equipment Disposals	-	37,270	37,270	-
Total Operating Revenue	6,464,005	4,931,114	4,931,125	11
Other Financing Sources				
Proceeds From Installment Purchase Agreement	-	170,029	170,029	-
County Appropriation	19,000	22,112	22,113	1
Total Other Financing Sources	19,000	192,141	192,142	1
Total Operating Revenue and Other Financing Sources	6,483,005	5,123,255	<u>\$ 5,123,267</u>	<u>\$ 12</u>
Fund Balance--January 1, 2007	373,753	373,753		
Total Budget	<u>\$ 6,856,758</u>	<u>\$ 5,497,008</u>		

**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL  
For the Year Ended December 31, 2007**

**EXHIBIT H**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Construction/Capacity Improvements	\$ 749,000	\$ 41,450	\$ 41,337	113
Preservation/Structural Improvements	1,613,906	1,091,564	1,089,851	\$ 1,713
Routine and Preventive Maintenance	750,000	690,000	689,749	251
Local Road				
Construction/Capacity Improvements	141,441	314,159	313,609	550
Preservation/Structural Improvements	30,000	431,849	430,842	1,007
Routine and Preventive Maintenance	750,000	1,211,100	1,211,085	15
Primary Road Structure				
Preservation/Structural Improvements	465,000	10,071	10,071	-
Routine and Preventive Maintenance	2,000	-	-	-
Local Road Structure				
Preservation/Structural Improvements	330,000	18,000	17,964	36
Routine and Preventive Maintenance	2,000	-	-	-
State Trunkline Maintenance	450,000	641,000	640,156	844
State Trunkline Non-Maintenance	10,000	42,900	42,877	23
Equipment Expense--Net	(216,000)	(49,000)		
Direct			\$ 717,214	
Indirect			339,519	
Operating			283,217	
Less: Equipment Rentals			<u>(1,390,297)</u>	1,347
Distributive Expense	1,250,909	-		-
Administrative Expense--Net	194,700	264,870		
Administrative Expense			334,826	
Less: Overhead--State			(65,285)	
Overhead--Other			(4,673)	
Purchase Discounts			<u>-</u>	2
Non-Road Project	-	16,389	16,375	14
Capital Outlay--Net	(299,240)	(91,273)		
Capital Outlay			194,771	
Less: Depreciation Credits			(257,731)	
Equipment Retirements			<u>(28,315)</u>	2
Debt Service				
Principal Payments	237,036	228,441	228,441	-
Interest Expense	19,041	18,281	18,272	9
Total Expenditures	6,479,793	4,879,801	<u>\$ 4,873,875</u>	<u>\$ 5,926</u>
Fund Balance--December 31, 2007	<u>376,965</u>	<u>617,207</u>		
Total Budget	<u>\$ 6,856,758</u>	<u>\$ 5,497,008</u>		

**The Notes to Financial Statements are an integral part of this statement.**

**DICKINSON COUNTY ROAD COMMISSION**  
**ANALYSIS OF CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2007**

**EXHIBIT I**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$2,890,985	\$ 1,277,699	\$762,441	\$4,931,125
Total Expenditures	1,908,859	2,083,757	881,259	4,873,875
Excess of Revenues Over (Under) Expenditures	982,126	(806,058)	(118,818)	57,250
Other Financing Sources (Uses)				
Proceeds From Lease Purchase			170,029	170,029
County Appropriation		22,113		22,113
Optional Transfers	(610,958)	610,958		-
Total Other Financing Sources (Uses)	(610,958)	633,071	170,029	192,142
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	371,168	(172,987)	51,211	249,392
Fund Balance--January 1, 2007	32,089	256,805	84,859	373,753
Fund Balance--December 31, 2007	\$ 403,257	\$ 83,818	\$136,070	\$ 623,145

**DICKINSON COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES**  
**For the Year Ended December 31, 2007**

**EXHIBIT J**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Federal Aid				
Surface Transportation Program	\$ 428,153	\$ 111,286		\$ 539,439
Economic Development D Funds	161,236			161,236
State Aid				
Michigan Transportation				
Engineering	7,300	2,700		10,000
Allocation	1,902,234	706,236		2,608,470
Urban	126,992	58,572		185,564
Snow Removal		13,853		13,853
Economic Development				
Target Industries (A)	30,240			30,240
Rural Primary (D)	84,682			84,682
Forest (E)		122,899		122,899
Jobs Today Program	149,903			149,903
Contributions--Local Units				
Townships		240,672		240,672
Cities and Villages		-	\$ (20,773)	(20,773)
Charges for Services				
State Trunkline Maintenance			649,692	649,692
State Trunkline Non-Maintenance			42,877	42,877
Salvage Sales			4,415	4,415
Interest and Rents				
Interest Earned	245	1,955	646	2,846
Other Revenue				
Contribution From Private Sources		19,526	48,314	67,840
Gain on Equipment Disposal	-		37,270	37,270
Total Operating Revenue	2,890,985	1,277,699	762,441	4,931,125
Other Financing Sources				
Proceeds From Lease Installment			170,029	170,029
County Appropriation		22,113		22,113
Total Other Financing Sources	-	22,113	170,029	192,142
Total Revenue and Other Financing Sources	\$ 2,890,985	\$ 1,299,812	\$ 932,470	\$ 5,123,267

**DICKINSON COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2007**

**EXHIBIT K**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Construction/Capacity Improvements	\$ 41,337			\$ 41,337
Preservation/Structural Improvements	1,089,851			1,089,851
Routine and Preventive Maintenance	689,749			689,749
Local Road				
Construction/Capacity Improvements		\$ 313,609		313,609
Preservation/Structural Improvements		430,842		430,842
Routine and Preventive Maintenance		1,211,085		1,211,085
Primary Road Structures				
Preservation/Structural Improvements	10,071			10,071
Local Road Structures				
Preservation/Structural Improvements		17,964		17,964
State Trunkline Maintenance			\$ 640,156	640,156
State Trunkline Non-Maintenance			42,877	42,877
Equipment Expense--Net (Per Exhibit H)	(13,070)	(27,137)	(10,140)	(50,347)
Administrative Expense--Net (Per Exhibit H)	127,474	137,394		264,868
Non-Road Project			16,375	16,375
Capital Outlay--Net (Per Exhibit H)	(44,689)		(46,586)	(91,275)
Debt Service				
Principal Payments	5,592		222,849	228,441
Interest Payments	2,544		15,728	18,272
Total Expenditures	\$ 1,908,859	\$ 2,083,757	\$ 881,259	\$ 4,873,875



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

April 3, 2008

Dickinson County Road Commission  
Board of County Road Commissioners  
1107 South Milwaukee Avenue  
P.O. Box 519  
Iron Mountain, Michigan 49801

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Financial Statements Performed in Accordance  
With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, as of and for the year ended December 31, 2007, and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dickinson County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dickinson County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dickinson County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Dickinson County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Dickinson County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Dickinson County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dickinson County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Dickinson County Board of Road Commissioners, the Road Commission's management and others within the Road Commission, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division